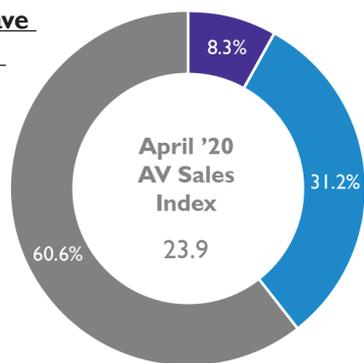


## Pro AV Suffers Under Weight of COVID-19 Crisis

AVIXA®, the Audiovisual and Integrated Experience Association, has published the monthly Pro AV Business Index since September 2016, gauging sales and employment indicators for the pro AV industry. The index is calculated from a monthly survey that tracks trends. Two diffusion indexes are created using the data, the AV Sales Index (AVI-S) and AV Employment Index (AVI-E). The diffusion indexes are calculated based on the positive response frequency from those who indicated their business had 5 percent or more increase in billings/sales from the prior month plus half of the neutral response. An index of 50 indicates firms saw no increase or decline in the business activity; an index of more than 50 indicates an increase, while an index less than 50 indicates a decline.

**Compared with the previous month, have the billings/sales at your location...**

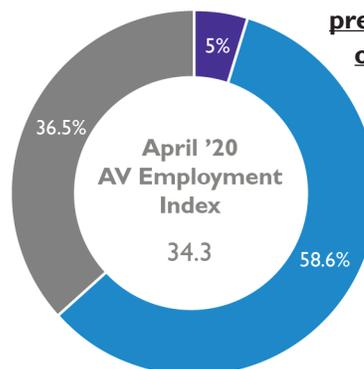
N-218



- Sales increased significantly (5% or more)
- Sales remained unchanged
- Sales decreased significantly (5% or more)

**Compared with the previous month, is the overall employment at your location...**

N-222



- Employment increased significantly (5% or more)
- Employment remained unchanged
- Employment decreased significantly (5% or more)

### Highlights:

- These are difficult times in the world of AV, as they are for the economy worldwide. The AV Sales Index (AVI-S) showed continued contraction, clocking in at 23.9 in April. While this number is a few points higher than March's score of 21.3, it is still far below the neutral growth mark of 50, signaling strong contraction in the AV industry. Comments make it clear that the

live events side of the industry is suffering the most, with almost all such business cancelled. Installation and design work are more of a mixed bag. Some organizations report good luck with continued revenue, while others report decreased revenue for now but cautious optimism about some small uptick in the coming weeks.

- Financial markets suggest COVID-19 uncertainty is subsiding, as the metric we've been tracking over the last two months — the volatility index known as VIX — dropped below 30 for the first time since February. This is still certainly a high reading, but we've seen higher readings as recently as late 2018 — a time of good economic health. This suggests a narrowing of future courses for the economy, especially reduced likelihood of further major declines.
- Two pieces of important GDP news came out this month: Preliminary first quarter GDP numbers for the United States, and the International Monetary Fund's (IMF) updated GDP outlook. The early-look U.S. GDP numbers suggest a decline of 4.8%. This is a substantial drop given that most of the decline occurred only in the last half of the final month. Interestingly, health care was one of the drivers of this decline, as the cancellation of voluntary procedures to save scarce PPE and hospital capacity substantially reduced total health care revenue. Worldwide, the IMF updated their 2020 GDP outlook to suggest a global 3.0% contraction. The contraction is expected to be worse in advanced economies, with a drop of 6.1%. We see this as a bearish indicator for pro AV since investment in high quality AV skews toward wealthier countries.
- Employment numbers show the truly devastating impact of COVID-19. The April employment numbers released by the U.S. Bureau of Labor Statistics showed an unemployment rate of 14.7%, the highest since the Great Depression. A closer look at the data shows reality is even worse than the

single statistic suggests. To be counted as unemployed, respondents must be actively looking for a job, something many people may not do given the discouraging employment numbers and concerns about the virus. Indeed, if you compare the percent of Americans currently employed to the labor force participation rate from February, you get an unemployment rate of 19.0%. And these numbers likely do not yet show the full crisis impact, as the survey captured data in the middle of April, and therefore do not reflect any worsening since then. Pro AV numbers tell a similarly disheartening story, as the AV employment index ticked down another 3 points to 34.3.

*“COVID-19 has had us move to full online teaching and webconferencing within two weeks successfully.”*

*- End User, North America*

*“COVID-19 has frozen most of our planned AV upgrades for the foreseeable future. However, it is also bringing opportunity in other areas, so potential for growth in alternative markets.”*

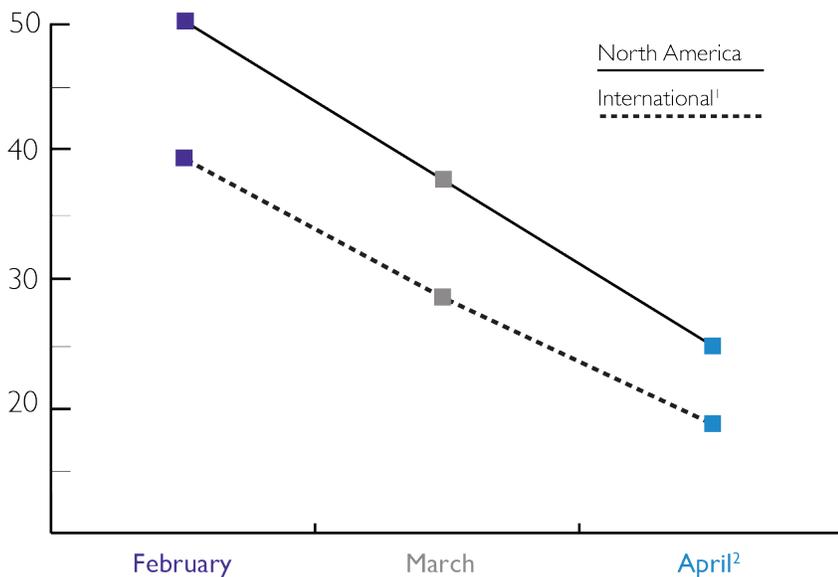
*- End User, Europe*

*“New business seemed to take a pause for a month while the COVID-19 pandemic took hold. However, we're starting to see requests for proposals and design work.”*

*- AV Integrator, North America*

## International Outlook

Our international numbers are calculated as moving averages, with a single month's reported number actually being the average of three months: the given month and the one on either side. This means these numbers can be slow to respond to sudden changes in conditions, such as the ones we saw from February to March. This is why both the North American and International AVI-S readings ticked down another major step even as the overall AVI-S reported above actually moved up slightly. For now, North America is faring slightly better than the rest of the world, though both regions are experiencing substantial contraction.<sup>2</sup>



<sup>1</sup> International regions include Europe, Latin America, Middle East/Africa, Asia-Pacific

<sup>2</sup> Due to the small sample, the North American and International indexes are based on a 3-month moving average. April 2020 index is preliminary, based on the average of March 2020 and April 2020 and will be final with May 2020 data in the next report.

Global regional indexes are three-month moving averages (based on prior, forward and current months) due to relative small sample size.

## Methodology

The survey behind the AVIXA Pro-AV Business Index was fielded to 1,600 members of the AVIXA Insights Community, April 28, 2020, to May 1, 2020. A total of 377 Insights Community members completed the survey. Only respondents who are service providers and said they were “moderately” to “extremely” familiar with their company’s business conditions were factored in Index calculations. The AV Sales and AV Employment Indexes are computed as diffusion indexes, with the monthly score calculated as the percentage of firms reporting a significant increase plus half the percentage of firms reporting no change. Comparisons are always made to the previous month. Diffusion indexes, typically centered at a score of 50, are used frequently to measure change in economic activity. If an equal share of firms reports an increase as reports a decrease, the score for that month will be 50. A score higher than 50 indicates that firms in aggregate are reporting an increase in activity that month compared to the previous month, while a score lower than 50 indicates a decrease in activity. Any score higher than 50 indicates an increase in activity.

## About the AVIXA Insights Community

The AVIXA AV Intelligence Panel (AVIP) is now part of AVIXA's Insights Community, a research group of industry volunteers willing to share their insights on a regular basis to create actionable information. Members of the community are asked to participate in a short, two-to-three-minute monthly survey designed to gauge business sentiment and trends in the AV industry. Community members will also have the opportunity to participate in discussions, polls and surveys.

Community members will be eligible to:

- Earn points toward online gift cards
- Receive free copies of selected market research
- Engage directly with AVIXA's market intelligence team to help guide research
- Ask and answer other industry professionals' questions

The Insights Community is designed to be a global group, representative of the entire commercial AV value chain. AVIXA invites AV integrators, consultants, manufacturers, distributors, resellers, live events professionals, and AV technology managers to get involved. If you would like to join the community, enjoy benefits, and share your insights with the AV industry, please apply at [avip.avixa.org](http://avip.avixa.org).